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Analysis of the Effect of the Application of the Single Rate of Corporate Income Tax on Tax Revenue

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Abstract: ***Taxes are a major source of state revenue used to finance state expenditures, both routine expenditures and expenditures on development. Tax revenue has a very dominant role in the state revenue post. The state has an obligation to fulfill the interests of its people by carrying out development. To carry out development, the state needs a lot of development funds where the need for development funds every year is increasing in line with the increasing number and needs of the community. Therefore, Suryadi (2006) stated that "tax revenue is the dominant source of state financing for both routine spending and development".***

Keywords: Income Tax, Tax Revenue, Value Added Tax, VAT, Corporate Income Tax

1. Introduction

In essence, taxpayers better understand the amount of income earned, so that the amount of tax that must be paid can be calculated by the taxpayer himself. To calculate the amount of tax that must be paid, taxpayers must know the understanding of tax regulations, one of which is about tax rates. The Income Tax Law (PPh) regulates the amount of tax rate in Article 17. The most interesting change is the change in the tax rate for Corporate Taxpayers and Permanent Establishments (BUT). In Law No. 36 of 2008 Article 17 paragraph 1 (b), the tariff for Corporate Taxpayers and BUT is set as a single rate (*flat rate*) of 28%. This rate from 2010 was lowered again to 25%. The change from the original progressive tariff to a single tariff may be the answer to many proposals from business actors, so that the tax rate in Indonesia is simpler and can encourage the business world (corporations) to be more competitive, both with internal strength and with investments from abroad.

The government's efforts by applying a single rate are expected to make it easier for entrepreneurs to calculate the taxes they owe so as to contribute more to state revenues. This is in accordance with the general explanation of the Income Tax Law, it is stated that in order to increase competitiveness with other countries, prioritize the principles of fairness and neutrality in setting tariffs, and provide impetus for the development of small businesses, the applicable tax rate structure also needs to be changed and simplified which includes a gradual, planned reduction in tariffs, tariff differentiation, as well as simplification of layers intended to provide a burden on the applicable tax rate. a more proportional tax for each of these taxpayers.

2. Theoretical Foundations

1) Income Tax
The definition of Income Tax or PPh is a tax charged on an income earned by a taxpayer, both from Indonesia and from abroad. The latest regulations on income tax are also in the Job Creation Law No. 11 of 2020 and through the HPP Law Number 7 of 2021 concerning Harmonization of Tax Regulations.

Income tax is divided into several categories, namely:

- Income tax imposed on individual taxpayers, which is divided into employees and non-employees or entrepreneurs
- Income tax charged on the income of a corporate or corporate taxpayer, up to the object subject to the income tax itself

Income Tax or commonly called Income Tax is a type of tax that is imposed on Individual Taxpayers (WP OP) or Corporate Taxpayers on income received in a period or tax year. Referring to Law Number 36 of 2008 concerning the Fourth Amendment to Law No. 7 of 1983 concerning Income Tax, which states:

"The tax object or income in question is any additional economic ability obtained by the taxpayer, whether from within the country or abroad, which is used for consumption or adding to the related taxpayer's wealth, including business profits, salaries, honorariums, gifts, royalties, dividends and so on."

The imposition of taxation in Indonesia implements a *self-assessment* system. That is, this tax collection system gives wp the authority, trust, and responsibility to calculate, pay, and self-report its tax liabilities. The concept of taxation, especially about income tax in Indonesia, is known to adhere to the principle of *worldwide income.* This concept explains that any additional economic capabilities received or obtained by wp, both from within and outside Indonesia, will be taken into account as a whole as a basis for taxation (DPP). Meanwhile, income from abroad that has been taxed by the state will be credited from taxes owed in accordance with taxation provisions. Thus, tax obligations owned by taxpayer persons or entities residing in Indonesia can still be fulfilled in accordance with the provisions of the applicable tax laws and regulations.

Corporate Income Tax is imposed on Taxable Income (PKP) obtained by Corporate Taxpayers during the current Tax Year without exception, both micro, small, medium, and large-scale Corporate Taxpayers.
Broadly speaking, the income tax rate or corporate income tax rate is divided into 2, namely:

- Corporate Income Tax Rate Article 17
- Final Income Tax Rate PP 23 of 2018

Both of them are intended for Corporate Taxpayers, but the difference is that the Final Income Tax rate according to Government Regulation (PP) Number 23 of 2018 is only intended for MSME Agency TAXPAYERS who have not yet had the status of Taxable Entrepreneurs (PKP) and gross income below RP4.8 billion a year. Meanwhile, the Corporate Income Tax rate in accordance with Article 17 is intended for Corporate Taxpayers, both PKP and Non-PKP who choose to do bookkeeping in their financial statements. However, for Corporate Taxpayers whose gross turnover is above IDR 4.8 billion a year, they must register themselves as PKP and must use the normal Article 17 Corporate Income Tax rate of 25%. Meanwhile, for wp PKP agencies with a gross turnover a year still below Rp4.8 billion, they can use the Final Income Tax rate of 0.5% PP 23 of 2018 with a period of only 3 years, after that they must use the general tariff of PPhBadan Article 17.

The government has gradually lowered the Corporate Income Tax rate or Corporate Income Tax rate which is effective from 2020. The Corporate Income Tax Rate of Article 17 is 25% of Taxable Income. However, through PP No. 30 of 2020 as an implementing rule of Article 5 paragraph (3) of Law No. 2 of 2020, the Corporate Income Tax rate for Limited Liability Companies (PT) is gradually reduced from the previous 25% to 22% effective in 2020 and 2021; and 20% coming into effect in 2022.

2) Tax Revenue

The definition of tax revenue according to John Hutagaol (2007:325) is:"Tax revenue is a source of revenue that can be obtained continuously and can be optimally developed according to the needs of the government and the conditions of the community." Tax revenue is income earned by the government which is sourced from people's taxes. Not only does it come to the brief definition above that the funds received in the state treasury will be used for government expenditures for the greatest prosperity of the people, as the purpose of the state goal agreed by the early founders of this country is to prosper the people, create prosperity based on social justice (Suherman, 2011).

Sources of Tax Revenue are:

a) Income Tax (PPh)

According to Law Number 17 of 2000 Income Tax is any additional economic ability received or obtained by a taxpayer, both from Indonesia and from outside Indonesia, which can be used for consumption or to increase the wealth of the taxpayer concerned, in name and in any form. Income tax is also an official levy by the government aimed at people who earn to finance government expenditures.

b) Value Added Tax (VAT)

Based on Law No. 42 of 2009PPN is a tax imposed on the consumption of Taxable Goods or Taxable Services within the Customs Area (within the territory of Indonesia). Individuals, entrepreneurs, and governments who consume Taxable Goods or Taxable Services are subject to VAT. Basically, any goods and services are Taxable Goods or Taxable Services, unless otherwise provided by the VAT Act.

c) Sales Tax on Luxury Goods (PPnBM)

In addition to being subject to VAT, for the consumption of certain Taxable Goods that are classified as luxury, they are also subject to PPnBM. According to Law No. 42 of 2009, what is meant by Taxable Goods that are classified as luxury is:

- They are not basic necessities; or
- The goods are consumed by certain people; or
- In general, these goods are consumed by high-income people; or
- The goods are consumed to show status; or
- If consumed, it can damage people's health and morals, and disrupt public order.

d) Stamp Duty

Based on Law No. 13 of 1985 Stamp Duty is a tax imposed on the use of documents, such as letters of agreement, notarial deeds, as well as receipts of payments, securities, and securities, which contain an amount of money or nominal above a certain amount in accordance with the provisions.

3. Methods of Analysis

A single rate is a form of tariff whose percentage of the rate is fixed even though the number of tax objects changes. The single rate does not reflect vertical fairness because high-income taxpayers and low-income taxpayers are taxed at the same rate. But horizontal fairness will still be fulfilled, where it is seen that every corporate taxpayer will pay taxes on their profits at the same rate.

The government's efforts to increase income tax revenues are one of them by making changes to tax rates. Where income tax is a tax component that has a large contribution to the development of the country. So the government needs to optimize revenue from the income tax sector. The decision to change the progressive tariff to a single tariff is one of the government's steps to change the rules in the field of taxation after several changes in legislation. Effort after effort is made by the government to make it easier for taxpayers to make tax payments so that taxpayers do not find it difficult to pay taxes, to give mutual appreciation to taxpayers who have complied with tax regulations by paying taxes. Which is a government levy that does not get a direct counter-achievement. The government remains concerned with a sense of justice for corporate taxpayers, but not with vertical justice. Vermicidal justice does not apply to a single tariff, the government replaces it with justice horizontally. Where corporate taxpayers will be charged the same rate ontaxes owed. The point is that both progressive rates and single rates, corporate taxpayers still find a sense of fairness about the tax levies carried out by the government. The sense of fairness that the taxpayer receives will be fulfilled if the taxpayer in donating an amount to be used for government expenditure is proportional to his interests and to the benefits that the taxpayer receives from the government.

4. Results and Discussion

Corporate Income Tax is imposed on Taxable Income (PKP) obtained by Corporate Taxpayers during the current Tax Year without exception, both micro, small, medium, and large-scale Corporate Taxpayers.

The government has gradually lowered the Corporate Income Tax rate or Corporate Income Tax rate which is effective from 2020. The Corporate Income Tax Rate of Article 17 is 25% of Taxable Income. However, through PP No. 30 of 2020 as an implementing rule of Article 5 paragraph (3) of Law No. 2 of 2020, the Corporate Income Tax rate for Limited Liability Companies (PT) is gradually reduced from the previous 25% to 22% effective in 2020 and 2021; and 20% coming into effect in 2022.

The government's efforts by applying a single rate are expected to make it easier for entrepreneurs to calculate the taxes they owe so as to contribute more to state revenues.

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